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Poverty measurement integrating wealth

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How to define poverty?

«People are considered to be poor if they do not have the **financial means** to buy goods and services that are necessary for a socially integrated life.» (FSO 2018)

- Statistical reality: poverty = income poverty
→ only income from assets is considered, but not assets themselves
- Poverty rate (especially of the elderly) is overestimated
- Objective: integrate wealth into poverty measurement



Two basic concepts

Two-dimensional approach:

Wealth = income substitute

→ Are individuals able to cover their basic needs with assets for a certain time in case of a sudden loss of income?

One-dimensional approach:

Wealth = income complement

→ Are individuals able to cover their basic needs when a percentage of assets is added to household income (continuous asset depletion)

What we have done so far

- CH-SILC: module collecting monetary value of assets & debts
- Experimental analysis based on the two-dimensional approach: [Poverty measurement integrating wealth | FSO - Experimental statistics](#)
- Broad consultation and discussion with external partners
- New demands due to National Monitoring on Poverty
- New efforts to make national tax data accessible for statistical purposes

Main demands and challenges

- Poverty rates for pensioners must take wealth into account
- Two-dimensional approach seems fitting for working age population, but for pensioners, one-dimensional approach seems more appropriate
- One-dimensional approach is further investigated by an external research institute commissioned by the Federal Social Insurance Office (FSIO)
- Challenge: communicate and integrate the two concepts for the whole population

One-dimensional approach: options

General idea: Wealth is continuously depleted over a long period of time

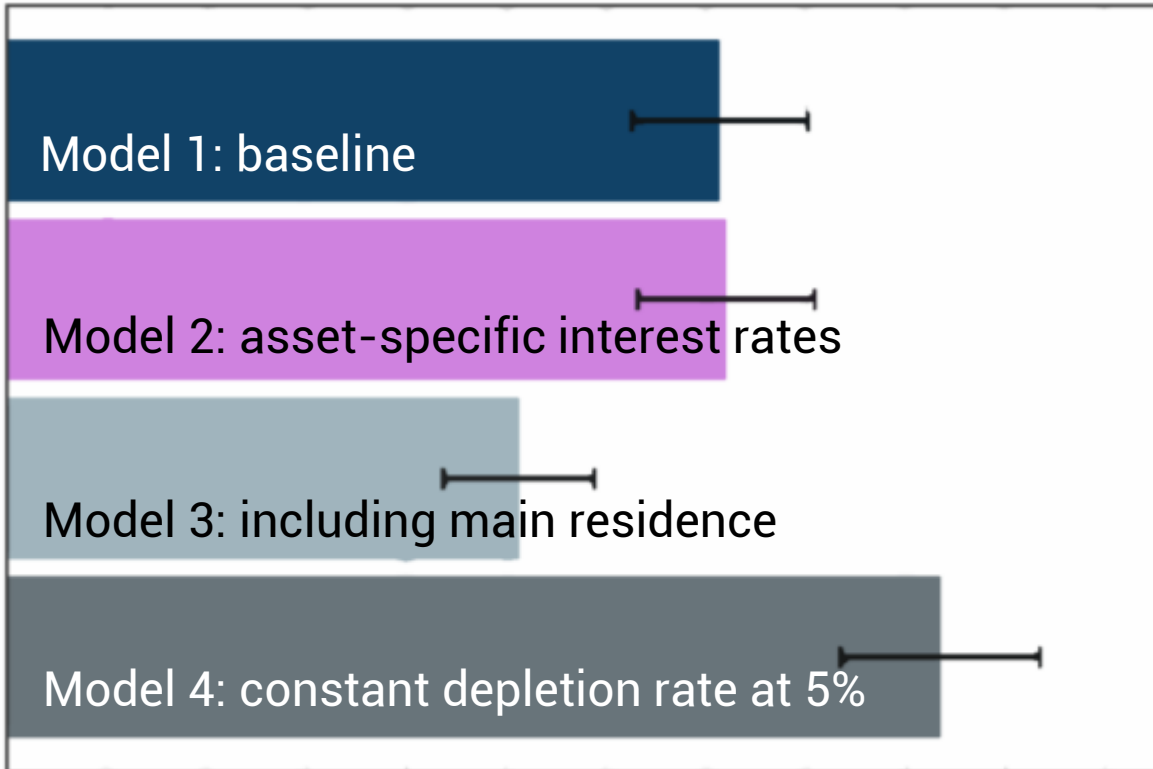
- Calculation of a depletion rate
→ single rate or according to life expectancy
- Definition of wealth components
→ with or without main residence
- Estimation of future development of wealth
→ single interest rate or different rates depending on asset type

One-dimensional approach: models

- **Model 1:** Net wealth excluding main residence, depletion rate varies according to life expectancy, one interest rate for all asset types
- **Model 2:** Net wealth excluding main residence, depletion rate varies according to life expectancy, **interest rate varies depending on asset types**
- **Model 3:** **Net wealth including main residence**, depletion rate varies according to life expectancy, one interest rate for all asset types
- **Model 4:** Net wealth excluding main residence, **single depletion rate for all ages at 5%**, one interest rate for all asset types

One-dimensional approach: first insights

Poverty rates including wealth



Source: SILC 2020, experimental data on wealth, chart adapted from Demografik

- Models are quite robust because depletion rate is rather low over all
- Specific interest rate by asset type has almost no impact
- Main residence has a large impact
- Life expectancy should be taken into account

Thank you for your attention!

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